

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**CORRECTED  
FISCAL NOTE**

**SB 2399 – HB 2838**

February 5, 2010

**SUMMARY OF BILL:** Removes the option for an automobile insurance policy holder to reject, in writing, the bodily injury uninsured motorist coverage completely or to select lower limits of coverage. Removes reference to rejection of property damage uninsured motorist coverage and insurer duties upon such rejection.

**ESTIMATED FISCAL IMPACT:**

On January 18, 2010, we issued a fiscal note indicating an *“increase in state revenue exceeding \$1,500,000 and an increase in state expenditures that was not significant.”* Based on further review and additional information provided by the Department of Commerce and Insurance, the fiscal impact of the bill is as follows:

**(CORRECTED)**

**Increase State Revenue - Exceeds \$225,000**

**Increase State Expenditures – Not Significant**

**Assumptions:**

- An increase in the collection of premium tax on uninsured motorist coverage. Current tax rate is 2.5 percent on uninsured motorist coverage.
- According to the Department of Commerce and Insurance, it is estimated that approximately three million vehicles are registered in the state (per 2007 data from the Federal Highway Administration). Of those registered, approximately five percent (150,000) have rejected uninsured motorist insurance coverage. Minimum premium is estimated at \$60 per year. The recurring increase in state revenue is estimated to be \$225,000 [(150,000 x \$60) x 2.5%].
- There will be an undetermined number of motorist who will insure for greater than the minimum amount of coverage.
- According to the Department of Commerce and Insurance, insurers would need to revise their rules and rates and file revisions with the Department. The review of the filings can be accomplished with current staff.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

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